



The Real Estate ANALYST

AUGUST 31
1955

Volume XXIV

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Number 37

Real Estate Economists, Appraisers and Counselors

VARIATIONS IN REAL ESTATE ACTIVITY

IN the June 1955 issue of the Real Estate Analyst we showed real estate and mortgage activity in more than 100 cities for the 1952-55 period. In this issue we have combined most of the city-by-city real estate activity figures into regional indexes, thereby showing the variations in the regional patterns.

These figures, which are shown on pages 360 through 362, run back at least 35 years in all regions and back 65 years in some. All are charted on the basis of above or below normal.

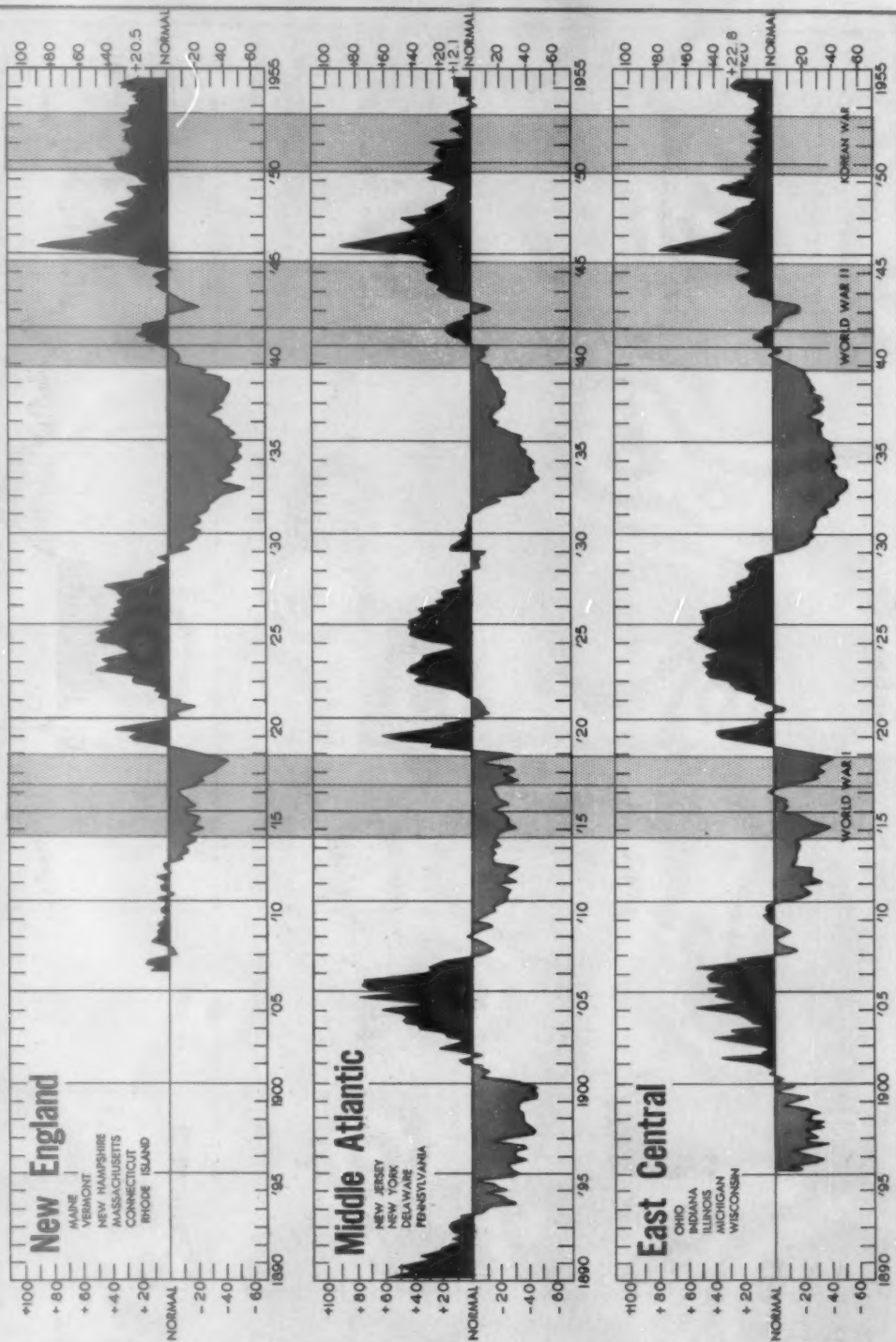
In addition to being charted above and below a normal line, the figures are also corrected for changes in and differences in population.

The charts on the various regions show a wide variation in real estate activity in recent months, with the highest activity being recorded in the West Central Region. Activity is also quite good in the East Central and New England Regions. On the other hand, it has dipped below normal in the Southwest and on the Pacific Coast.

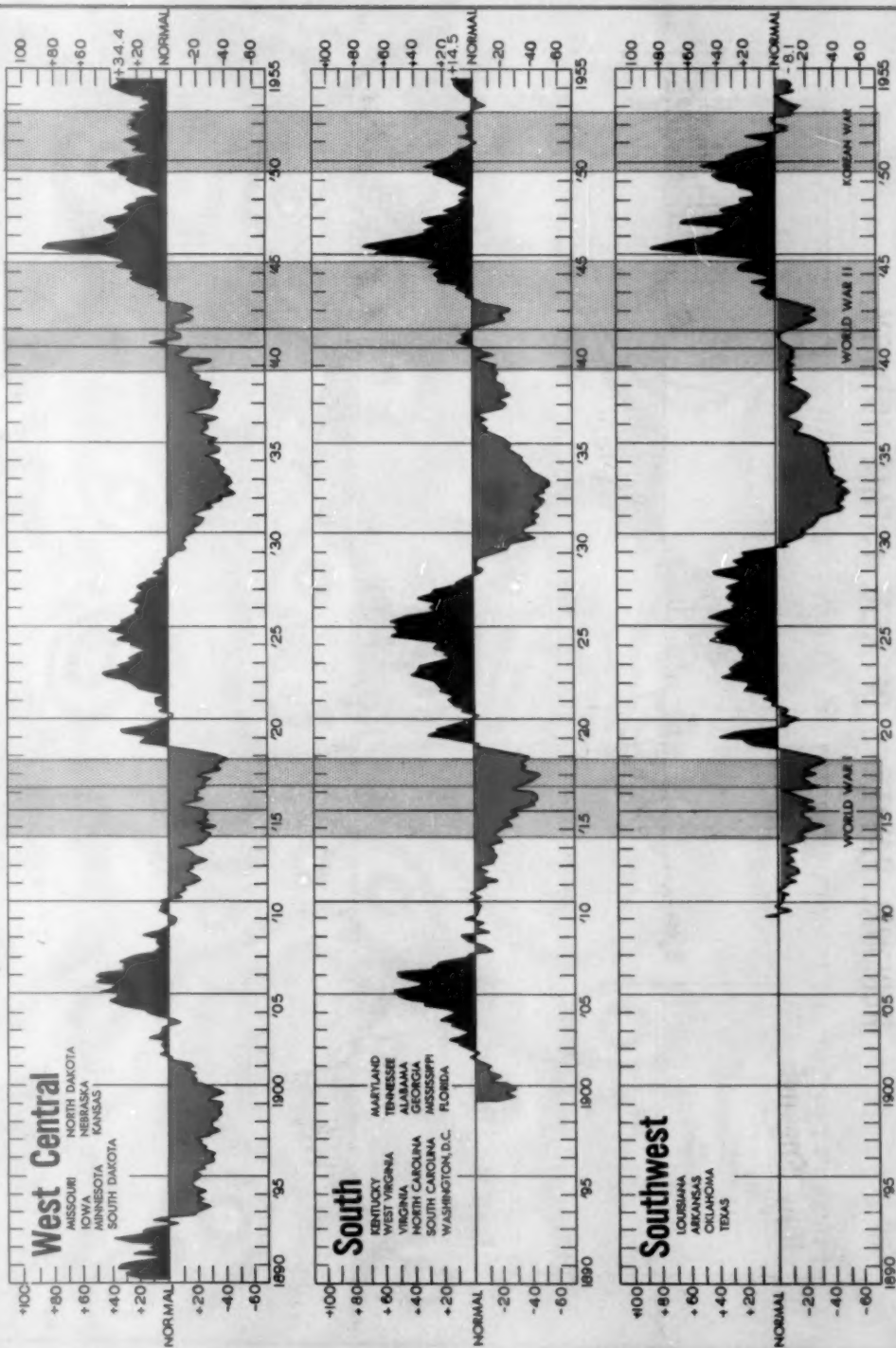
In charts such as these where each has its own normal line, the so-called level of normal activity is very important. For example, the normal level in New England is about 45 voluntary real estate transfers per month per 10,000 families, while on the Pacific Coast normal is about 120. Therefore, it is frequently found that real estate activity is much higher on the Pacific Coast than in New England, notwithstanding the fact that the Pacific Coast activity is below normal, while that of New England is far above normal.

Over the last 40 or 50 years, the Pacific Coast has experienced tremendous growth and as a result has developed a very high level of real estate activity. It is against this high-level normal that regional activity is measured. The same is true of the Southwestern Region. On the other hand, population growth in New England and in the Middle Atlantic Regions has been slowing down for several decades, and as a result real estate activity there has a considerably lower normal level. In the central part of the country the growth has been near the average for the Nation as a whole, and the level of real estate activity has likewise been close to the national average.

REGIONAL PATTERNS OF REAL ESTATE ACTIVITY

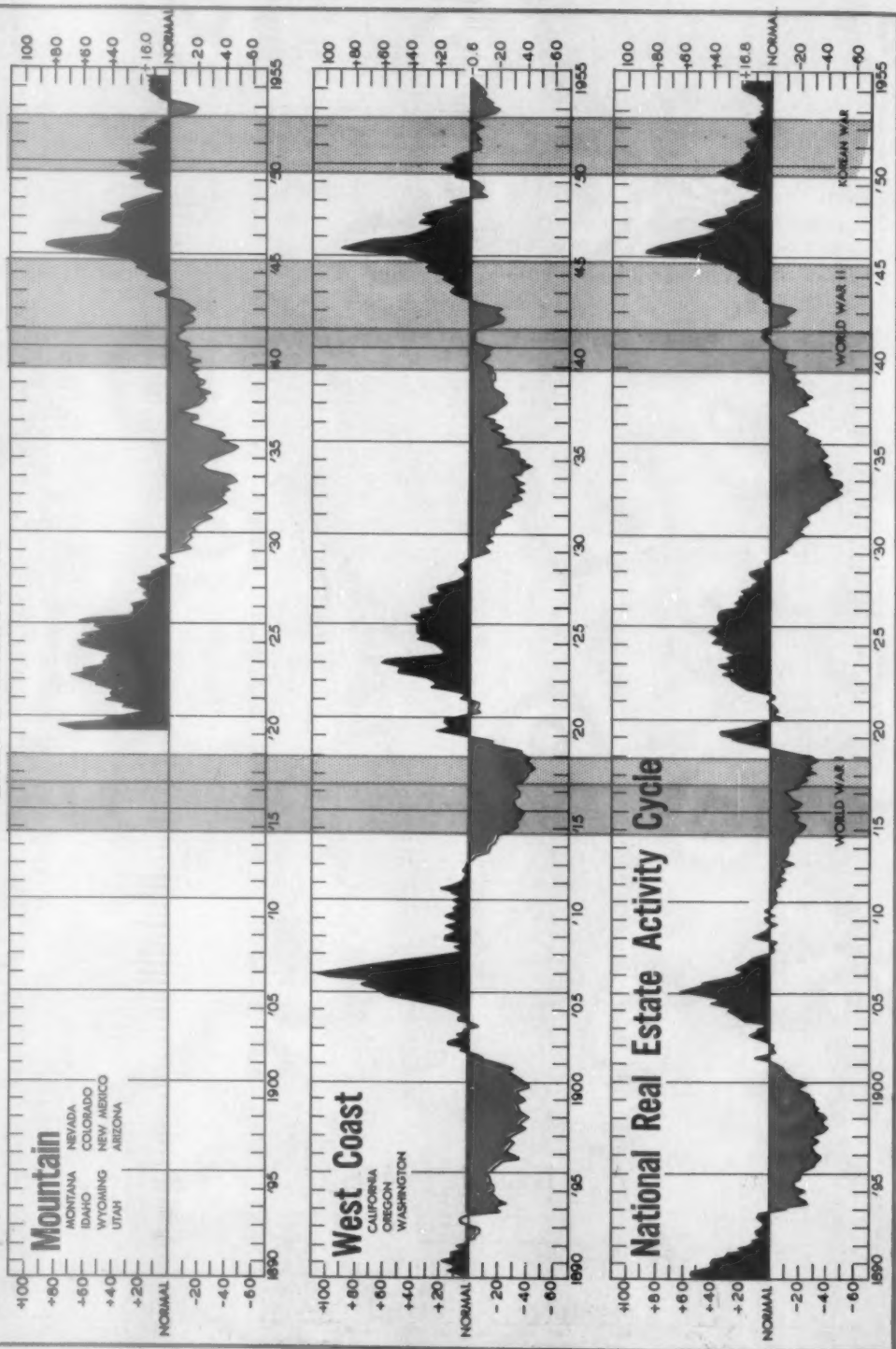


REGIONAL PATTERNS OF REAL ESTATE ACTIVITY



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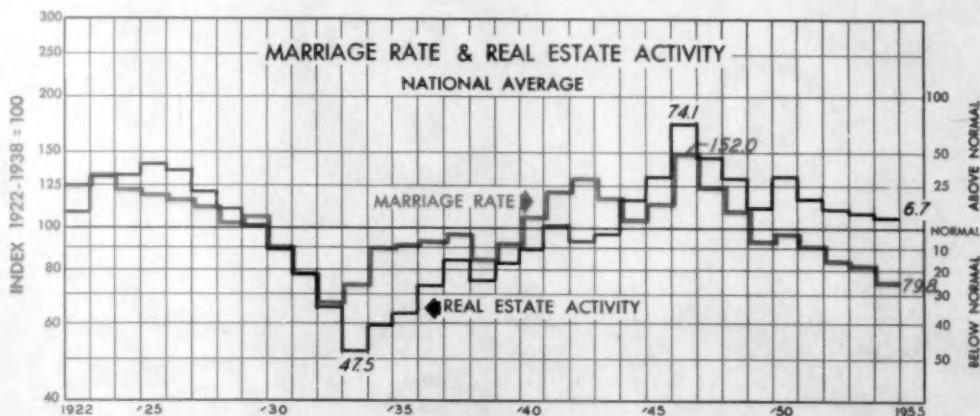
MARRIAGES CONTINUE TO DECLINE

SINCE reaching their peak in 1946, marriages have been in a steadily declining trend. Their present level is 47% below their peak. In the past there has been a rather close correlation between the number of marriages and real estate activity. This correlation is shown by the chart below. You will notice that the present decline in marriages has been a good deal faster than the drop in real estate activity. This is because high incomes and increasing government aid have encouraged home ownership. On the other hand, marriages have declined because of the fewer number of persons reaching marriageable age.

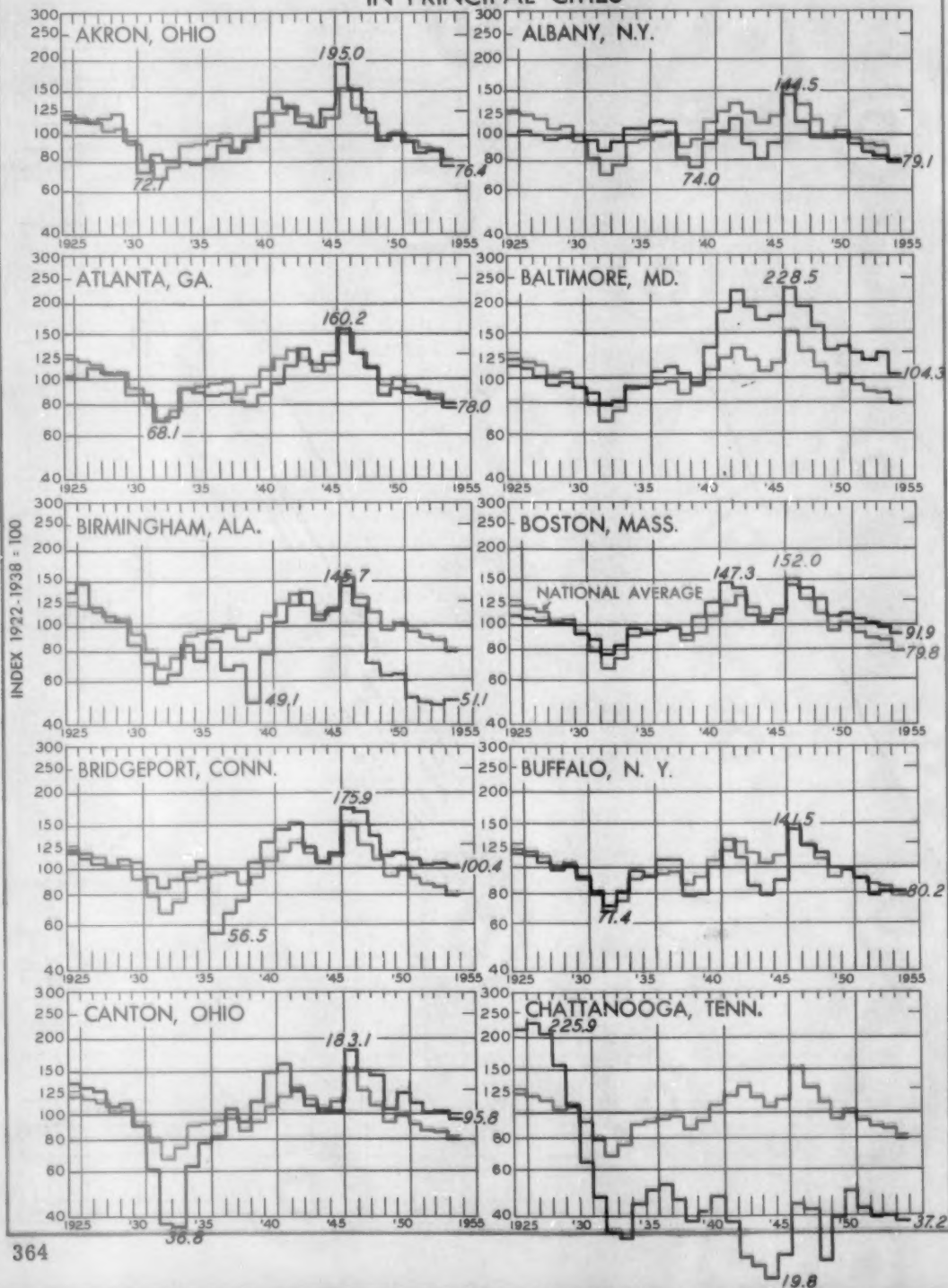
There is some indication that the number of marriages will pick up in 1956 or 1957. Through May of this year there was no decline in the number compared with the same period in 1954. Therefore, it seems that there is a good chance that the decline will level off this year.

Once the number of marriages begins to increase, it will do so slowly for the first 2 or 3 years. It will then begin to accelerate rapidly to a very high level, where it will remain for possibly 5 or 6 years.

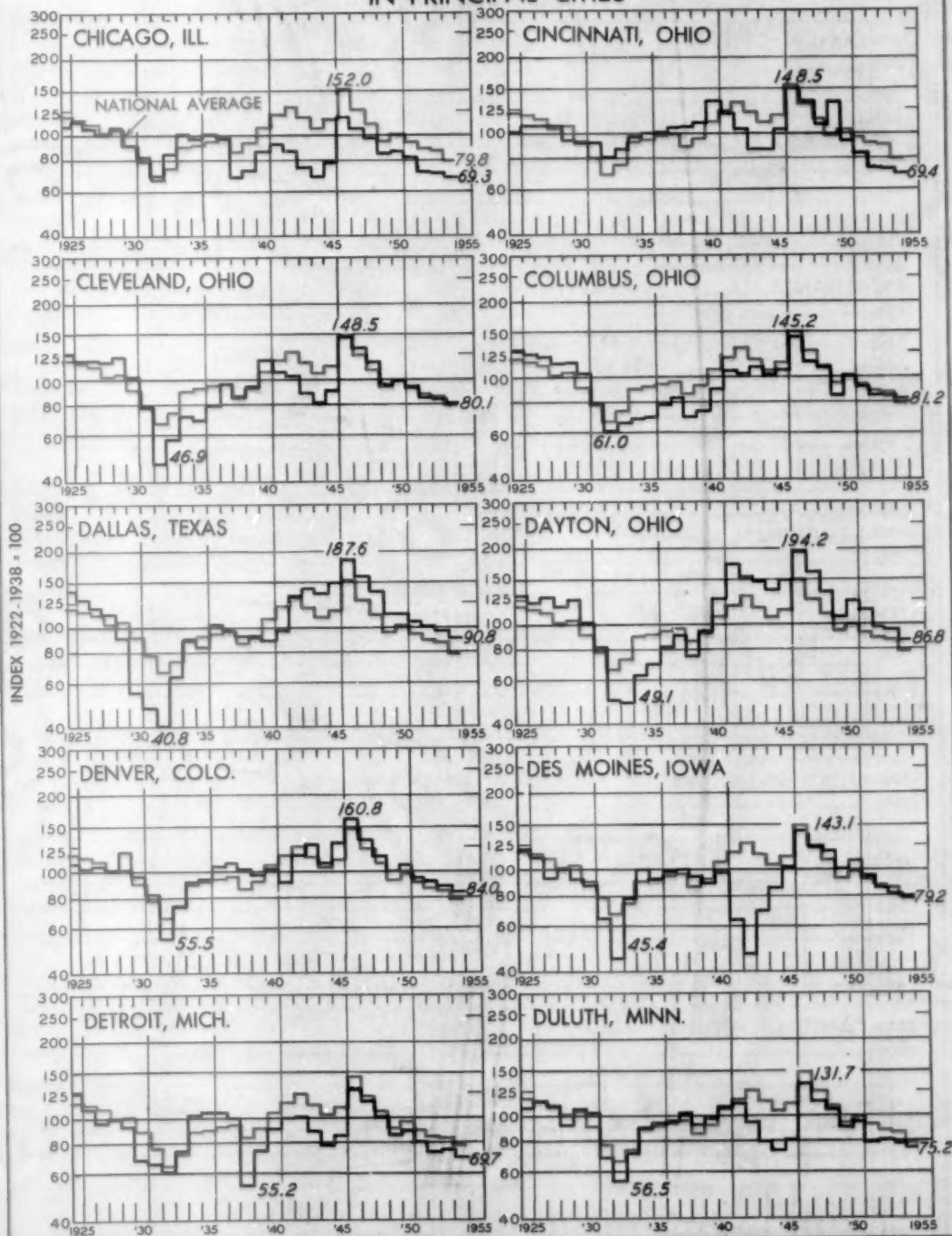
The charts on the following pages show the changes in the marriage rate for 80 principal cities. There are three things that you should keep in mind when looking at these charts: 1. Remember that the small charts deal with marriages only and contrast the rate in each individual city (blue line) with the national average (red line). 2. Some cities have unusually high or low marriage rates due to marriage laws in their own or nearby States. 3. Some other cities have unusually high marriage rates because they are near large military posts. Therefore, an unusually high or low marriage rate in some particular city should not be judged until it can be determined whether or not it has been influenced by one of the above-mentioned factors.



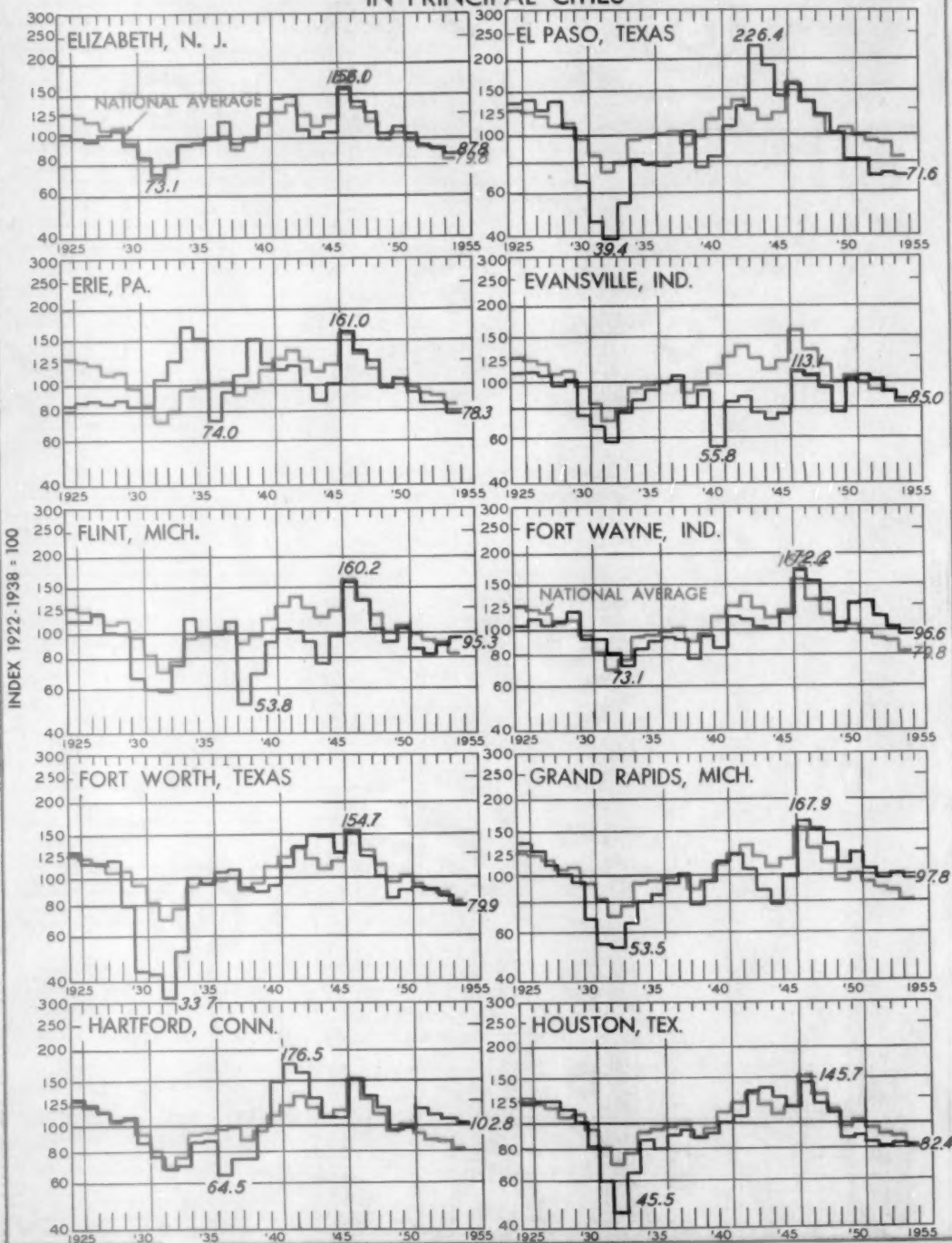
FLUCTUATIONS IN THE MARRIAGE RATE IN PRINCIPAL CITIES



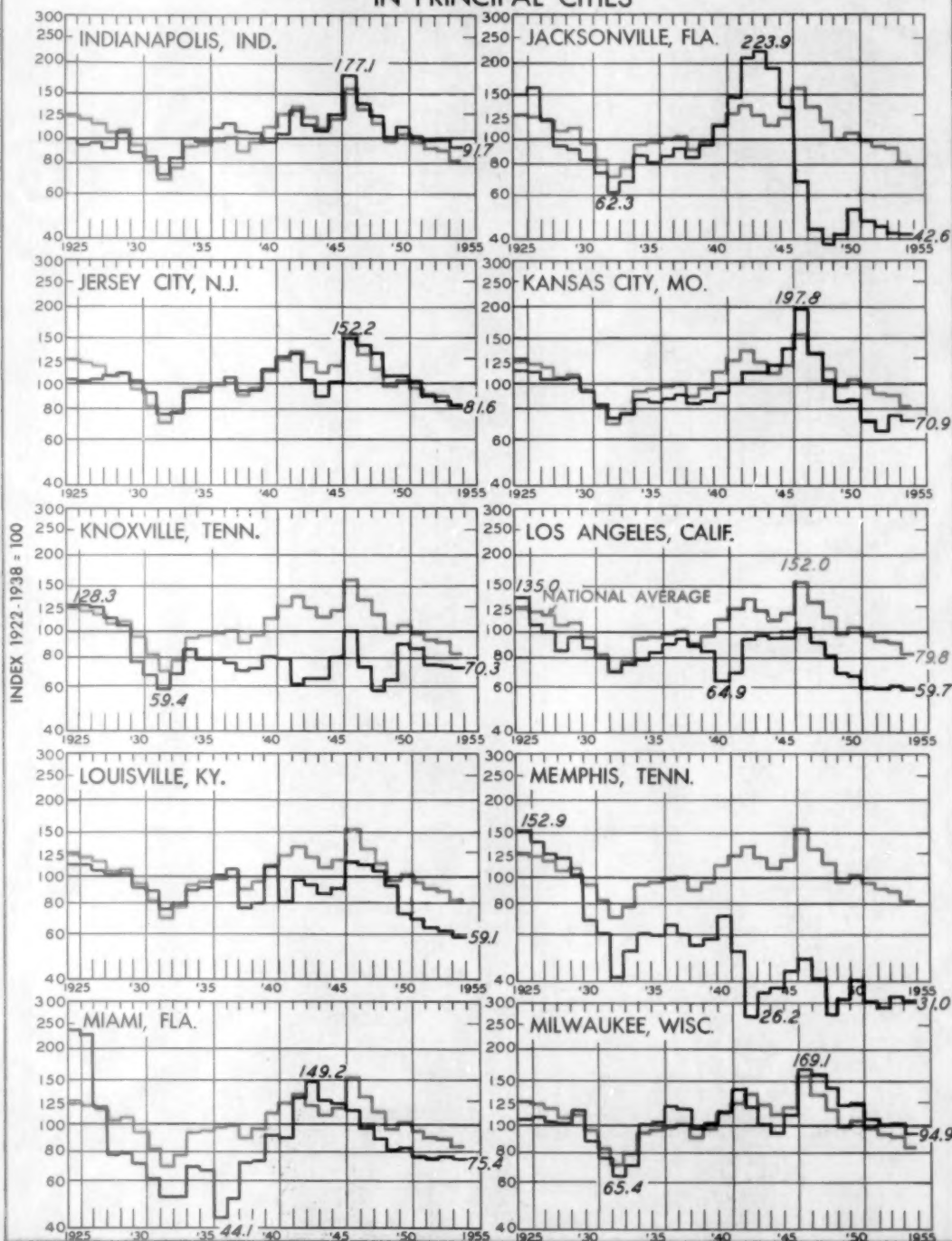
FLUCTUATIONS IN THE MARRIAGE RATE IN PRINCIPAL CITIES



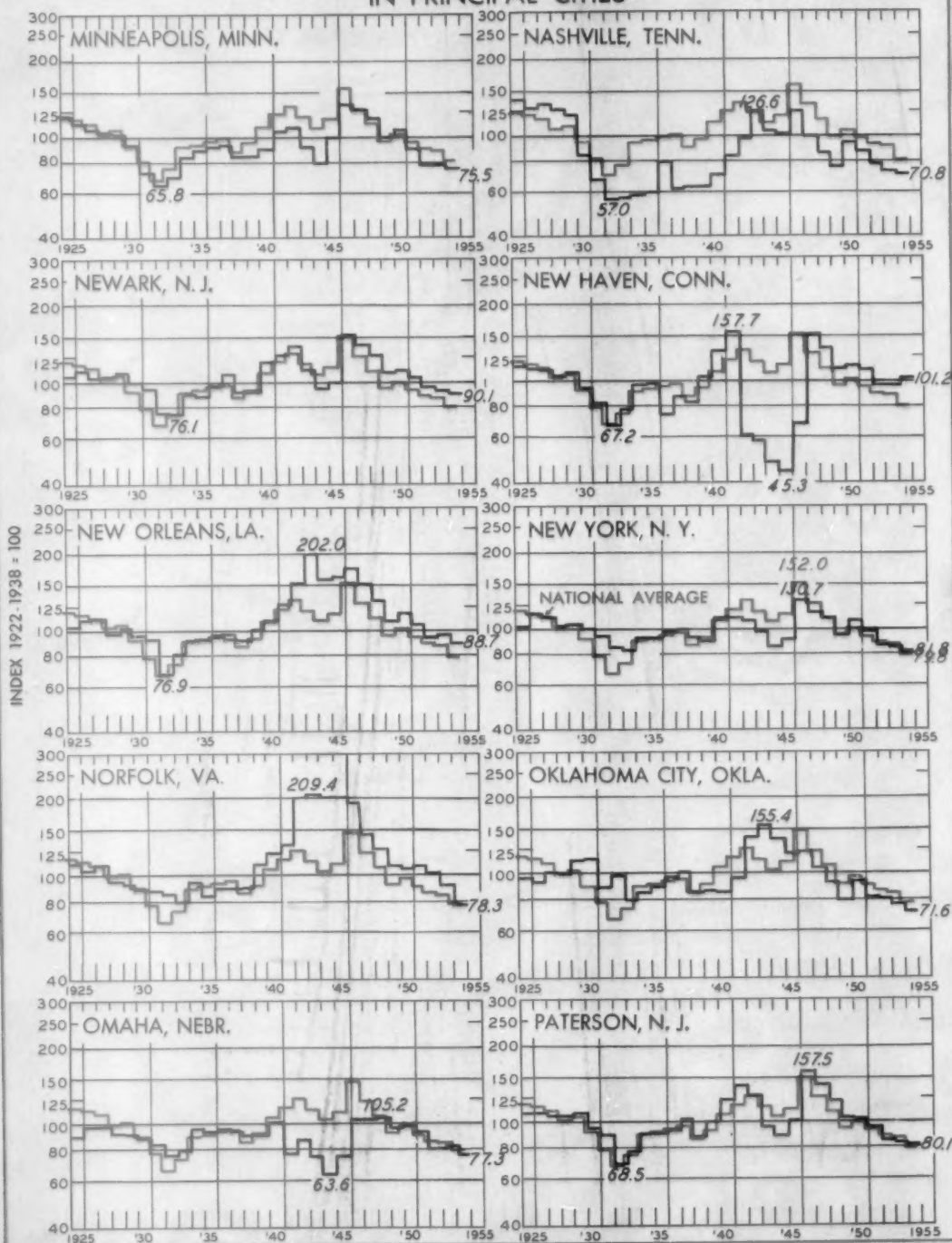
FLUCTUATIONS IN THE MARRIAGE RATE IN PRINCIPAL CITIES



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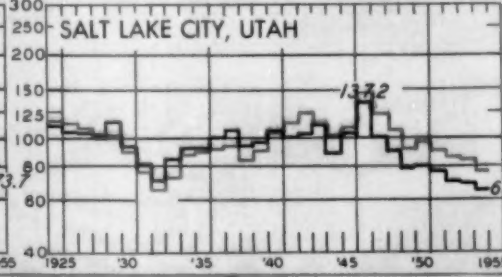
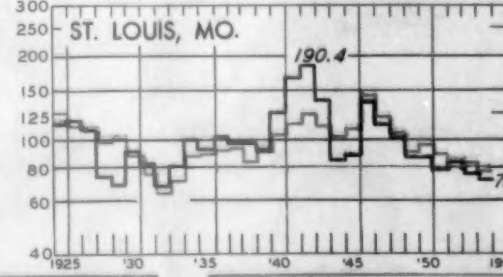
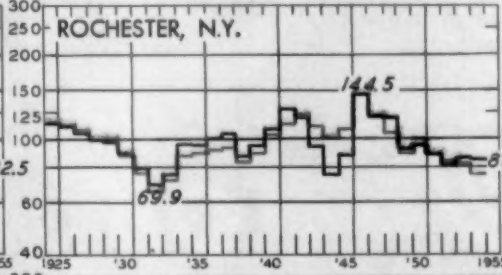
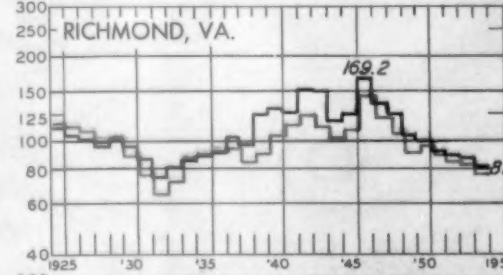
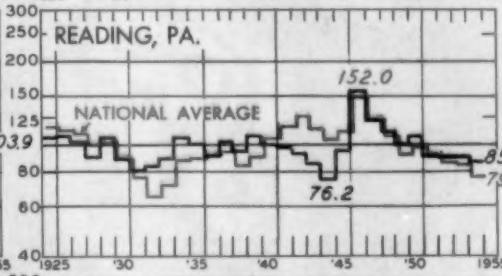
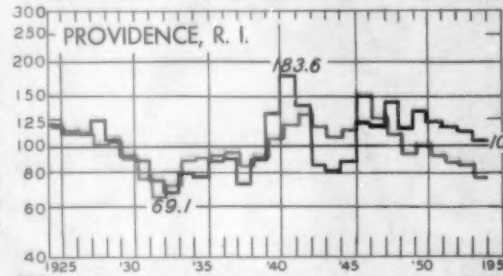
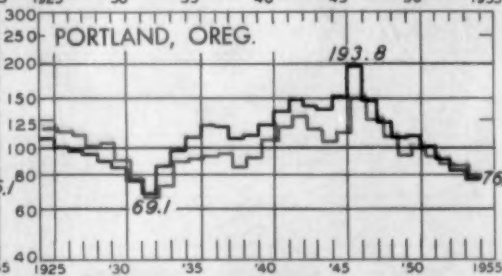
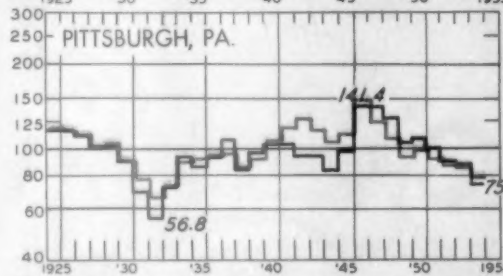
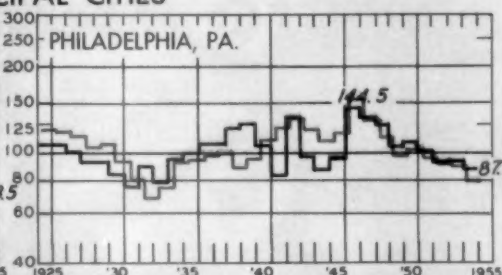
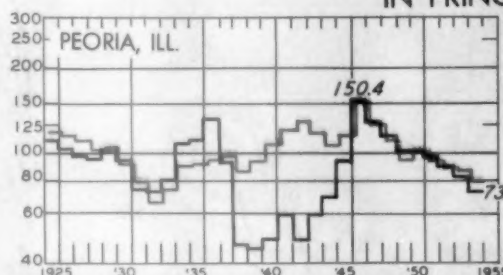


FLUCTUATIONS IN THE MARRIAGE RATE IN PRINCIPAL CITIES

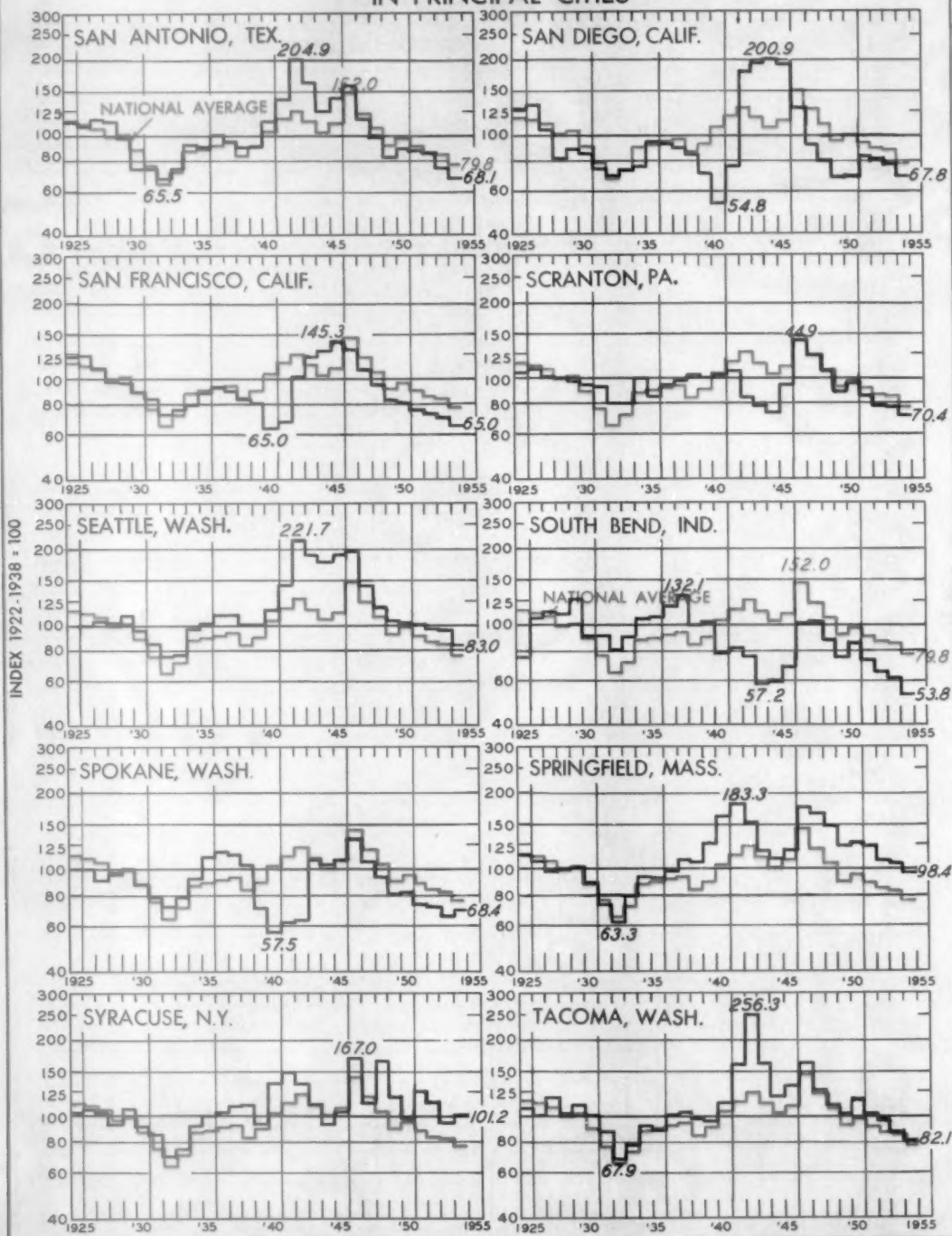


FLUCTUATIONS IN THE MARRIAGE RATE IN PRINCIPAL CITIES

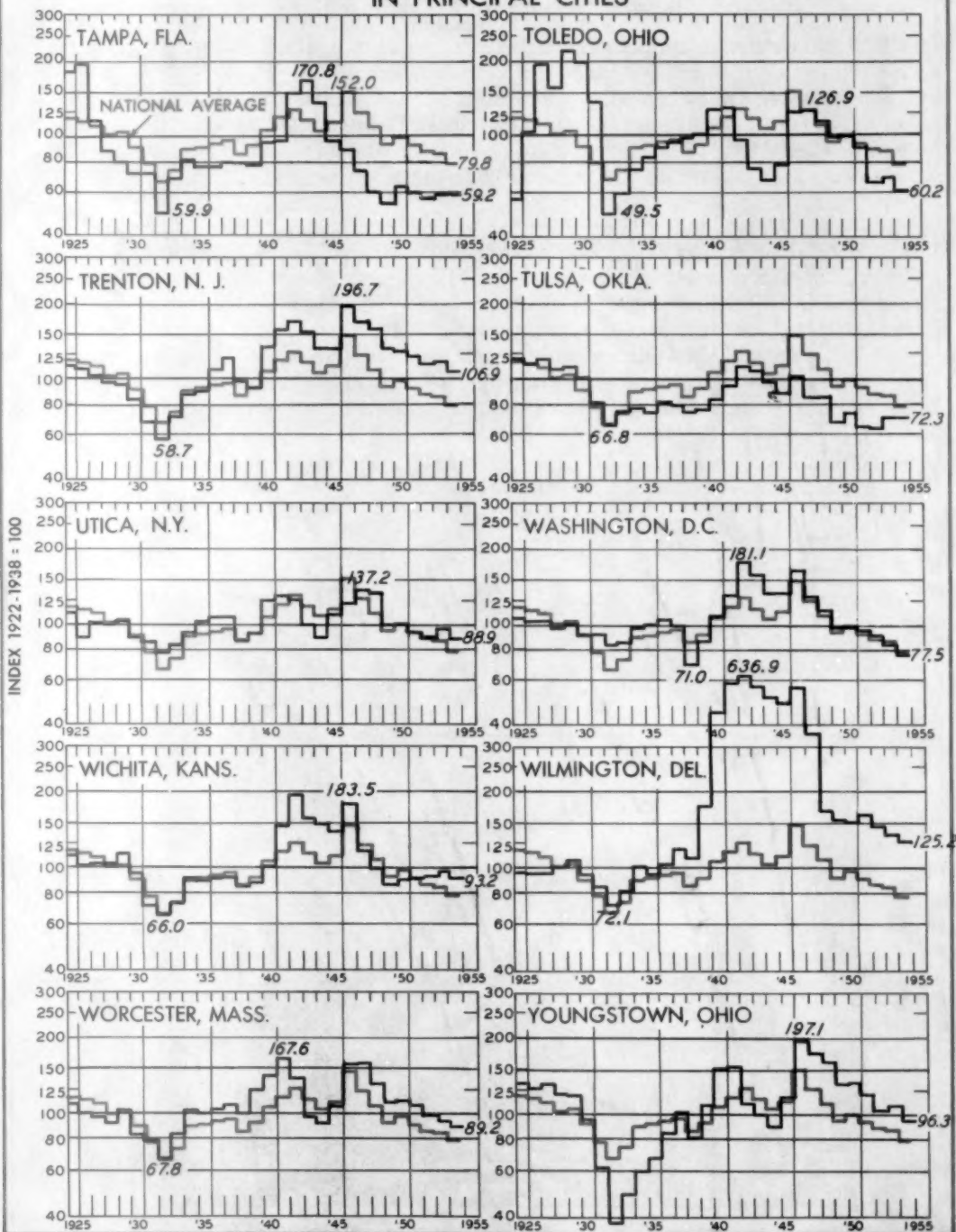
INDEX 1922-1938 = 100



FLUCTUATIONS IN THE MARRIAGE RATE IN PRINCIPAL CITIES



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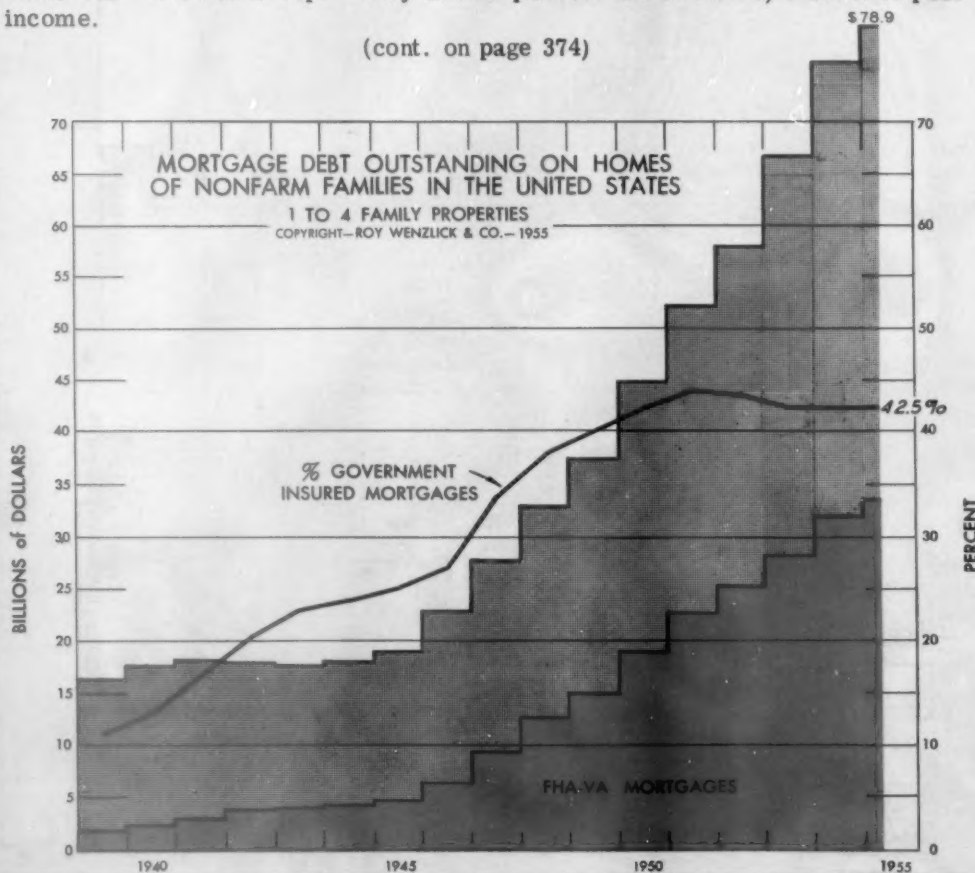


A LOOK AT PRIVATE DEBT

THE virtues of thrift have not been forgotten nor are they being violated to the extent that more conservative observers claim. Never before have so many families had such high incomes, and seldom has the consumer felt so much confidence in the future. As a result, prevailing opinion among consumers is that there is no reason to defer purchase until they have accumulated the necessary cash. If they can save the needed amount out of income, they can pay for it out of income - so why wait!

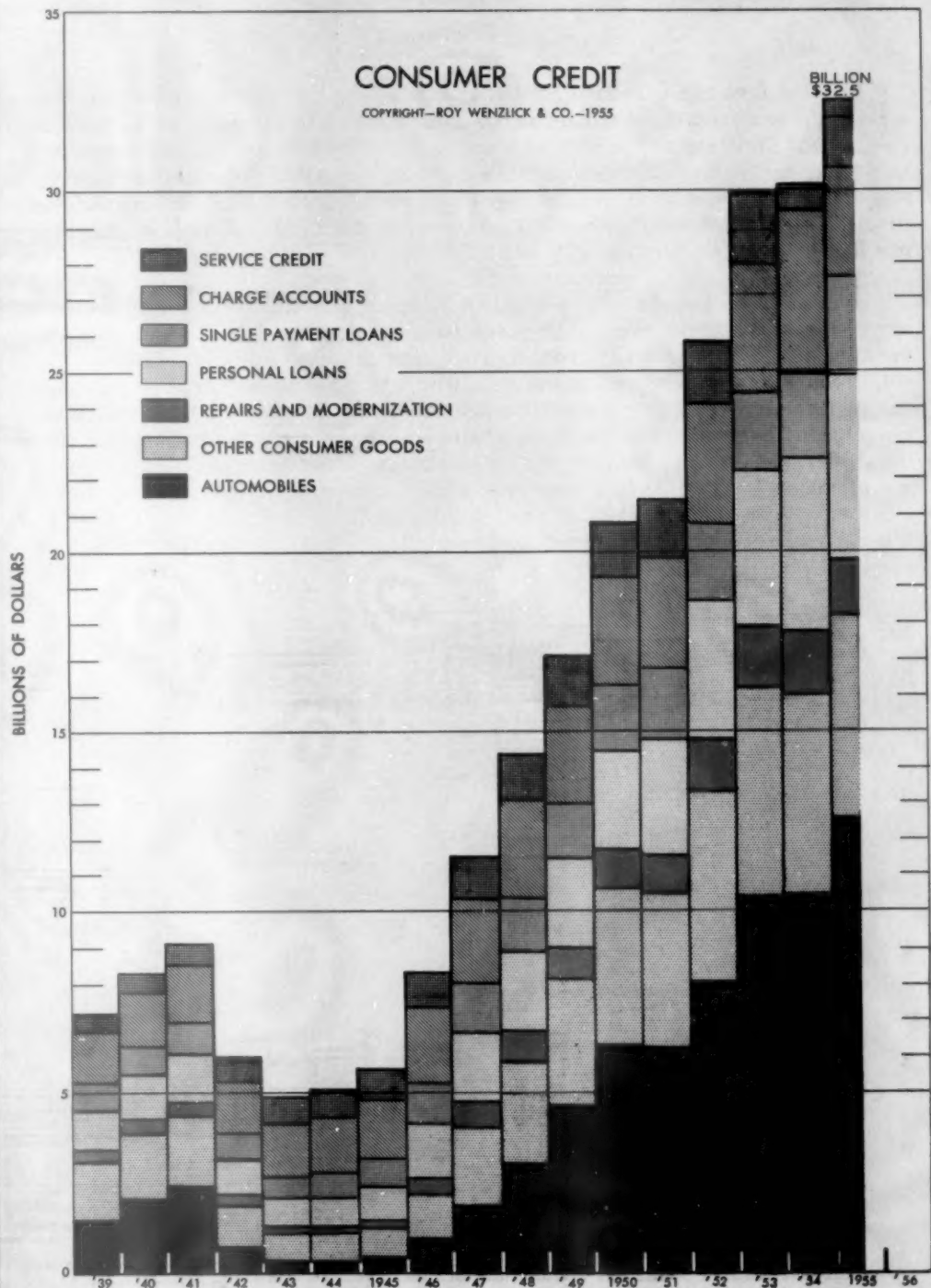
High incomes and the view of considering debt as "enforced savings" are only two of the more important reasons for rising consumer debt. Another is the seemingly endless variety of products constantly moving into the market. Probably a more powerful reason is the ease with which almost any type of purchase can be financed. Gasoline and hotel credit cards are not new, but their use is increasing. They have recently been joined by restaurant credit cards that enable the holder to eat at many of the better restaurants on a deferred payment plan. Vacations - even to Europe - may now be paid for out of future, instead of past income.

(cont. on page 374)



CONSUMER CREDIT

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A LOOK AT PRIVATE DEBT

(cont. from page 372)

It is, therefore, not surprising that consumer credit is at an alltime high. The chart on page 373 shows that the June level was \$32.5 billion, up \$2.4 billion in 6 months. Of the seven types of consumer credit shown on the chart, four are at an alltime high. Automobile credit, at a record \$12.6 billion, is far larger than any of the other components. Personal loans are also at an alltime high, as are single-payment loans and service credit. In the other direction, some types of credit have been shrinking recently. Financing of other consumer goods - mostly appliance goods - is off one-half of one percent from its January level. Repair and modernization loans are off 3%, and charge accounts are, surprisingly enough, off 14% from their January level.

So long as jobs are plentiful and wages high you can look for little decline in consumer debt, except from government action. Some tightening of consumer credit has been started by the Federal Reserve's raise of its rediscount rate to commercial banks. Whether further steps in this direction are taken will depend on business' reaction to this mild action. If it appears that the rise in consumer credit is somewhat abated by it, it is likely that no further action will be taken. On the other hand, if credit continues to burgeon, it is probable that additional tightening will follow.

The chart at the bottom of page 372 shows the mortgage debt outstanding from 1939 through March 1955. Here, too, debt is at an alltime high with \$78.9 billion as of last March. There is little doubt that by now the figure has pushed past the \$80.0 billion level. In this area the government has also mildly tightened credit by stiffening the requirements on FHA-VA loans.